



North Dakota
Housing Finance Agency

PO Box 1535 · Bismarck, ND 58502-1535

INDUSTRIAL COMMISSION
JOHN HOEVEN, GOVERNOR
WAYNE STENEHJEM, ATTORNEY GENERAL
ROGER JOHNSON, AGRICULTURE COMMISSIONER

PAT S. FRICKE, EXECUTIVE DIRECTOR

To the State Industrial Commission Members and the People of North Dakota:

The advisory board, management and staff of the North Dakota Housing Finance Agency (NDHFA) works tirelessly to provide affordable housing opportunities for low- and moderate-income North Dakotans. We are all proud of the agency's accomplishments and would like to share a few highlights from the past year.

In March, NDHFA made a significant increase in first-time homebuyer purchase price limits statewide, allowing more qualified buyers to reap the benefits of homeownership. The new purchase price limits, \$90,066 to \$119,409 for existing properties and \$150,000 for new construction, coupled with record low interest rates, enabled 1,072 households to seek homeownership through the Home Mortgage Finance Program. Since the program's inception, the NDHFA has helped 24,596 families become homeowners.

To encourage new and returning citizens to make North Dakota their permanent home, NDHFA announced the creation of a homeownership incentive program called North Dakota Roots. The pilot program seeks to assist primary sector employers in attracting employees from outside the state by offering either an interest rate reduction on a first mortgage or down-payment and closing cost assistance.

The Low Income Housing Tax Credit Program, the primary financial tool for the development of affordable rental housing, provided almost \$2 million in housing credits to finance the construction or rehabilitation of 253 units. Now in the program's 15th year, NDHFA has set-aside a portion of the credits to be allocated for the preservation of existing housing stock, ensuring that needed housing stock will remain available.

The Helping Housing Across North Dakota (HAND) program supported the construction or rehabilitation of 354 units of single and multifamily housing. The \$250,000 in Helping HAND grants, which come from agency earnings, leveraged an additional \$935,000. The funds enable groups like Community Action to provide rehabilitation assistance to low-income households.

As we look ahead to the next fiscal year, we will continue to pursue all opportunities for building strong communities and neighborhoods in support of North Dakota's priorities for affordable housing, and economic and community development. Together, we will continue to strive to meet the housing needs of the people of North Dakota.

Sincerely,

Pat S. Fricke
Executive Director

Gerald Eid
Advisory Board Chairman



2003 Annual Report – Homeownership Division

The North Dakota Housing Finance Agency's (NDHFA) **Home Mortgage Finance Program** (HMFP) funded exactly 1,000 first-time homebuyer loans during the past fiscal year. The financing represents \$68,994,552 in mortgage loans.

The lowest mortgage rates in NDHFA history were offered in late June. A step-rate loan rate of 4.00 percent the first year, 4.30 percent the second year and 4.60 percent the remaining 28 years was offered. Fixed rate plans were 4.40 or 4.60 percent, with applicable points.

Low-income households are able to receive a one percent interest rate reduction for the first three years of their mortgage loan through the **HomeKey Program**. HomeKey enabled 97 borrowers who have an income level of 50 percent or less of the applicable HMFP limit to enjoy the benefits of homeownership.

Start loans provided HMFP participants with downpayment assistance in the form of a 10-year second mortgage loan. Thirty-eight percent of NDHFA's first-time buyers received the additional downpayment assistance needed to make their homeownership dream come true.

Zero interest, deferred payment loans are provided through the **Downpayment and Closing Costs Assistance Program** (DCA) to low-income homebuyers. To be eligible for DCA, the 86 recipients were required to have an HMFP loan and be income qualified.

The **Homeownership Acquisition and Rehabilitation Program** made it much easier for four low-income households to achieve affordable homeownership. The program provides homebuyer education, helps find the homes, contributes rehabilitation funds, and assists with property acquisition if necessary.

HomeSmart grants were awarded to 35 households who completed a homebuyer education workshop. The \$100 HomeSmart grants encourage first-time buyers to take advantage of homebuyer education workshops prior to purchasing a home.

The **CommunityPartners Program** helped close an affordability gap for three Grand Forks households when the cost of twin homes built with public funds exceeded what the eligible homebuyers could afford to pay. With the city and a non-profit developer planning and investing in affordable single-family housing, NDHFA reduced already low HMFP interest rates, allowing the purchasers to qualify for larger mortgages.

The NDHFA supports local **Habitat for Humanity** affiliates by purchasing their home mortgage loans, freeing up funds for future construction projects. During the past year, two Habitat for Humanity loans were purchased at a zero interest rate. One of the loans purchased was from the Northern Lights Chapter in Minot, their first home eligible for the loan program.

2003 Annual Report – Rental Division

The North Dakota Housing Finance Agency (NDHFA) provides regulatory oversight for 3,584 rental units located throughout the state that are under US Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payment Contracts. The **Contract Administration Program** also handles the distribution of rental assistance funds for the Section 8 assisted housing.

The **Low Income Housing Tax Credit Program** (Housing Credits), which provides an incentive for the production or rehabilitation of affordable rental housing, allocated more than \$2 million for 253 units during the most recent fiscal year. The most recent award of Housing Credits marked the 15th year of the program, with more than 3,900 affordable housing units created in North Dakota.

Moderate Rehabilitation Program designated apartments enabled 422 very low income North Dakota households to afford decent and secure housing. To comply with recent changes in HUD regulations, in April the NDHFA began conducting criminal background checks on eligible applicants.

Seventy-eight affordable **Housing Disposition Program** units are available to low- and moderate-income tenants. Since 1994, NDHFA has provided compliance monitoring for the Federal Deposit Insurance Corporation (FDIC) properties, working to preserve the affordable housing.

A HUD **Mark to Market** (M2M) financial restructuring, with the NDHFA acting as the Participating Administrative Entity, preserved 28 units of affordable rental housing in Harvey, ND. M2M allowed the owners of the HUD subsidized rental property with an FHA insured mortgage to enter into the mortgage restructuring agreements.

Seven **Rental Rehab Assistance Program** (RRAP) grants enabled property owners to make existing rental units more accessible for low income individuals with disabilities, increasing the individuals' abilities to remain independent. The applications approved included a minimum dollar-for-dollar match.

NDHFA, the Montana Board of Housing and the Wyoming Community Development Authority joined together to form the **Mountain Plains Equity Group, Inc.** The investment group's aim is to support the development of affordable multifamily housing in communities throughout the tri-state area.

Financial Information – 2003 Annual Report

The North Dakota Housing Finance Agency's (NDHFA) ability to provide financing for affordable housing programs hinges on the agency's internal financial strengths and innovative partnerships with public and private entities.

NDHFA's Aa2 credit rating on its bonds and an A2 (with stable outlook) Issuer Rating by Moody's Investors Service indicates the strength and financial stability of our agency. This strong financial position reduces our cost of capital and in turn leads to increased homeownership opportunities for the citizens of North Dakota.

We are pleased to report that this year's operations show a continuation of financial resolve and an increase in net assets. As a result of program operations and financing activities, NDHFA's net assets increased by \$7.93 million (13 percent) to \$68.75 million.

Through out the year, mortgage loan interest rates continued to decline to such a level that at the fiscal year end, they reached a 40 year low. The lower rate environment precipitated home loan refinancing and unprecedented loan payoffs, contributing to a \$36.32 million decrease in the agency's total assets.

Mortgage loans receivable decreased \$71.28 million to \$550.41 million from the previous year, the result of \$69.86 million in loans being purchased and \$141.11 million being repaid.

For more information on the agency's financial status, please review our most recent fiscal audit.



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INDEPENDENT AUDITOR'S REPORT

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

We have audited the accompanying financial statements of the **North Dakota Housing Finance Agency** as of June 30, 2003, and 2002, and the related statements of revenues, expenses and changes in fund net assets, cash flows and appropriations for the years then ended. These financial statements are the responsibility of the **North Dakota Housing Finance Agency's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the **North Dakota Housing Finance Agency** and do not purport to, and do not, present fairly the financial position and results of the operations and cash flows of the State of North Dakota, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **North Dakota Housing Finance Agency** as of June 30, 2003, and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2003, on our consideration of the **North Dakota Housing Finance Agency's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplementary information on pages 39 through 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards on page 54 is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Eide Bailly LLP

Bismarck, North Dakota
August 15, 2003

NORTH DAKOTA HOUSING FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003

The discussion and analysis of the financial performance of the North Dakota Housing Finance Agency (Agency) that follows is meant to provide additional insight into the Agency's activities for the year ended June 30, 2003. Please read it in conjunction with the Agency's financial statements and footnotes, which are presented within this report.

North Dakota Housing Bonds issued by North Dakota Housing Finance Agency are revenue bonds that are neither a general nor a moral obligation of the state but are a general obligation of the Agency.

Financial Highlights

- Mortgage loans receivable has decreased \$71,256,950 to \$550,413,827 from the previous year. This is the result of \$69,854,467 in loans being purchased and \$141,111,417 being repaid.
- Bonds payable have decreased by \$36,742,537 as a result of \$101,634,000 new bonds being issued, and \$138,376,537 bonds being called or maturing.
- The Agency's net assets increased by \$7,929,218 to \$68,748,318 as a result of this year's program operations and financing activities.
- Income from operations were \$46,836,454, down \$4,514,292 and operating expenses were \$42,576,609, down \$3,958,131 from the previous year, primarily due to fewer program dollars being invested and financed.
- Non-operating investment income was \$3,693,646, up \$1,274,698 from the previous year. This is due to market fluctuations on Agency investments. Treasury premium on Agency investments had increased \$537,334 in fiscal 2002 as compared to the fiscal 2003 increase of \$1,885,626.

Overview of the Financial Statements

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements. The financial statements of the Agency provide accounting information similar to that of many other business entities. The Balance Sheet summarizes the assets and liabilities, with the difference between the two reported as net assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets summarizes the Agency's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Agency.

CONDENSED BALANCE SHEETS – JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percentage</u>
ASSETS				
Unrestricted current assets	\$ 10,540	\$ 8,485	\$ 2,055	24 %
Restricted current assets	<u>184,506</u>	<u>151,983</u>	<u>32,523</u>	<u>21</u>
Total current assets	<u>195,046</u>	<u>160,468</u>	<u>34,578</u>	<u>22</u>
Unrestricted noncurrent assets	2,047	11,584	(9,537)	(82)
Restricted noncurrent assets	<u>573,904</u>	<u>635,264</u>	<u>(61,360)</u>	<u>(10)</u>
	<u>575,951</u>	<u>646,848</u>	<u>(70,897)</u>	<u>(11)</u>
Total assets	<u>\$ 770,997</u>	<u>\$ 807,316</u>	<u>\$ (36,319)</u>	<u>(4) %</u>
LIABILITIES				
Current liabilities	\$ 39,355	\$ 42,564	\$ (3,209)	(8) %
Noncurrent liabilities	<u>662,894</u>	<u>703,934</u>	<u>(41,040)</u>	<u>(6)</u>
	<u>702,249</u>	<u>746,498</u>	<u>(44,249)</u>	<u>(6)</u>
NET ASSETS				
Invested in capital assets	56	86	(30)	(35)
Restricted for pledged assets	17,877	16,771	1,106	7
Restricted for debt service	40,215	27,441	12,774	47
Unrestricted	<u>10,600</u>	<u>16,520</u>	<u>(5,920)</u>	<u>(36)</u>
	<u>68,748</u>	<u>60,818</u>	<u>7,930</u>	<u>13</u>
Total liabilities and net assets	<u>\$ 770,997</u>	<u>\$ 807,316</u>	<u>\$ (36,319)</u>	<u>(5) %</u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
YEAR ENDED JUNE 30, 2003, AND 2002**

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percentage</u>
OPERATING REVENUES				
Mortgage interest income	\$ 39,659	\$ 41,144	\$ (1,485)	(4) %
Investment income	5,610	8,622	(3,012)	(35)
Fee income	1,568	1,584	(16)	(1)
Total revenues	<u>46,837</u>	<u>51,350</u>	<u>(4,513)</u>	<u>(9)</u>
OPERATING EXPENSES				
Interest expense	36,674	41,392	(4,718)	(11)
Agency grants	247	246	1	-
Amortization of deferred bond financing costs	1,865	1,312	553	42
Administrative and operating expenses	2,013	1,908	105	6
Salaries and benefits	1,748	1,627	121	7
Depreciation	30	52	(22)	(42)
Total expenses	<u>42,577</u>	<u>46,537</u>	<u>(3,960)</u>	<u>(9)</u>
OPERATING INCOME	<u>4,260</u>	<u>4,813</u>	<u>(553)</u>	<u>(11)</u>
NONOPERATING REVENUES (EXPENSES)				
HUD Section 8 Assistance	13,166	12,963	203	2
Investment income	3,694	2,421	1,273	53
HUD Section 8 Assistance	(13,166)	(12,963)	(203)	(2)
Loss on disposal of fixed assets	-	(2)	2	100
	<u>3,694</u>	<u>2,419</u>	<u>1,275</u>	<u>53</u>
INCOME BEFORE TRANSFERS	<u>7,954</u>	<u>7,232</u>	<u>722</u>	<u>10</u>
TRANSFERS				
Transfer to Industrial Commission	<u>24</u>	<u>24</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>7,930</u>	<u>7,208</u>	<u>722</u>	<u>10</u>
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>60,818</u>	<u>53,610</u>	<u>7,208</u>	<u>13</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 68,748</u>	<u>\$ 60,818</u>	<u>\$ 7,930</u>	<u>13 %</u>

Investment Income

Operating interest income is comprised of the sum of interest earnings on funds held in trust for the Home Mortgage Finance Program. These funds are invested in investment contracts as reported in Notes 1 and 2 to the financial statements. The decline in interest earnings was due to the decline in the amount of funds invested.

Non-operating interest income represents earnings on the Agencies investments. These funds are invested in US Treasury securities or the Bank of North Dakota money market and demand accounts. The increase in interest earnings was due to the increase in market value of the treasuries.

Budgetary Information

As discussed in Note 1 to the financial statements, the North Dakota Housing Finance Agency is funded under a biennial appropriation approved by the state legislature. The biennial appropriation does not provide any state General Fund dollars. Hence, total Agency appropriation is funded from Agency operations.

Contacting the North Dakota Housing Finance Agency's Financial Management

The information in this report is intended to provide the reader with an overview of the Agency's operations along with the Agency's accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Dakota Housing Finance Agency, PO Box 1535, Bismarck, ND 58502-1535.

NORTH DAKOTA HOUSING FINANCE AGENCY
BALANCE SHEETS
JUNE 30, 2003, AND 2002
(In Thousands)

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Cash and cash equivalents	\$ 2,648	\$ 956
Investments	6,723	5,953
Due from State Agencies	78	30
Receivables		
Current portion of loans receivable	-	371
Interest		
Loans	-	80
Investments	239	239
Due from HUD	356	383
Other	484	457
Prepaid expenses	12	16
Total unrestricted current assets	<u>10,540</u>	<u>8,485</u>
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	171,129	137,627
Receivables		
Current portion of loans receivable	10,399	10,904
Interest		
Loans	2,902	3,304
Investments	76	146
Other	-	2
Total restricted current assets	<u>184,506</u>	<u>151,983</u>
Total current assets	<u>195,046</u>	<u>160,468</u>
NONCURRENT ASSETS - UNRESTRICTED		
Loans receivable, net of current portion	-	9,219
Service release premium, net	1,991	2,279
Equipment, net	56	86
Total unrestricted noncurrent assets	<u>2,047</u>	<u>11,584</u>
NONCURRENT ASSETS - RESTRICTED		
Loans receivable, net of current portion	540,015	601,177
Investments	26,694	25,806
Deferred bond financing costs, net	7,195	8,281
Total restricted noncurrent assets	<u>573,904</u>	<u>635,264</u>
Total noncurrent assets	<u>575,951</u>	<u>646,848</u>
Total assets	<u>\$ 770,997</u>	<u>\$ 807,316</u>

See Notes to Financial Statements

	<u>2003</u>	<u>2002</u>
LIABILITIES		
CURRENT LIABILITIES		
Due to HUD	\$ 301	\$ 338
Due to state agencies	15	8
Current portion of rebate due to IRS	1,306	2,531
Other	548	502
Current portion of compensated absences	91	82
Current portion of bonds payable	14,505	10,605
Loan from Bank of North Dakota	-	1,973
Accrued interest	16,818	19,481
Funds held in trust	5,695	6,967
Deferred credits	<u>76</u>	<u>77</u>
Total current liabilities	<u>39,355</u>	<u>42,564</u>
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	62	54
Rebate due to IRS, net of current portion	2,738	3,143
Bonds payable, net of current portion	<u>660,094</u>	<u>700,737</u>
Total noncurrent liabilities	<u>662,894</u>	<u>703,934</u>
Total liabilities	<u>702,249</u>	<u>746,498</u>
NET ASSETS		
Invested in capital assets	56	86
Restricted for pledged assets	17,877	16,771
Restricted for debt service	40,215	27,441
Unrestricted	<u>10,600</u>	<u>16,520</u>
Total net assets	<u>68,748</u>	<u>60,818</u>
Total liabilities and net assets	<u>\$ 770,997</u>	<u>\$ 807,316</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2003, AND 2002
(In Thousands)

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Mortgage interest income	\$ 39,659	\$ 41,144
Investment income	5,610	8,622
Fee income	1,568	1,584
Total revenues	<u>46,837</u>	<u>51,350</u>
OPERATING EXPENSES		
Interest expense	36,674	41,392
Agency grants	247	246
Amortization of deferred bond financing costs	1,865	1,312
Administrative and operating expenses	2,013	1,908
Salaries and benefits	1,748	1,627
Depreciation	30	52
Total expenses	<u>42,577</u>	<u>46,537</u>
OPERATING INCOME	<u>4,260</u>	<u>4,813</u>
NONOPERATING REVENUES (EXPENSES)		
HUD grants	13,166	12,963
Investment income	3,694	2,421
HUD grants	(13,166)	(12,963)
Loss on disposal of fixed assets	-	(2)
	<u>3,694</u>	<u>2,419</u>
INCOME BEFORE TRANSFERS	<u>7,954</u>	<u>7,232</u>
TRANSFERS		
Transfer to Industrial Commission	<u>24</u>	<u>24</u>
CHANGE IN NET ASSETS	<u>7,930</u>	<u>7,208</u>
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>60,818</u>	<u>53,610</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 68,748</u></u>	<u><u>\$ 60,818</u></u>

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003, AND 2002
(In Thousands)

	<u>2003</u>	<u>2002</u>
OPERATING ACTIVITIES		
Receipts from customers	\$ 189,669	\$ 129,396
Payment of grants	(257)	(494)
Payments to service providers		
State agencies	(143)	(115)
Other	(75,785)	(103,539)
Payments to employees	(1,744)	(1,622)
Payment of rebate to IRS	(1,630)	(2,383)
Net cash provided by operating activities	<u>110,110</u>	<u>21,243</u>
NONCAPITAL FINANCING ACTIVITIES		
Principal payments on notes and bonds	(140,411)	(207,465)
Proceeds from note borrowings and bond issuance	101,695	77,056
Interest paid on notes and bonds	(39,337)	(46,450)
Payment of bond issue costs	(778)	(921)
Transfer to Industrial Commission	(24)	(24)
Net cash used for noncapital financing activities	<u>(78,855)</u>	<u>(177,804)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of equipment	-	4
Purchase of equipment	-	(12)
Net cash used for capital and related financing activities	<u>-</u>	<u>(8)</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	245	6,976
Interest received from investments	3,694	2,423
Net cash from investing activities	<u>3,939</u>	<u>9,399</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,194	(147,170)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>138,583</u>	<u>285,753</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 173,777</u>	<u>\$ 138,583</u>

(continued on next page)

STATEMENTS OF CASH FLOWS- page 2

	<u>2003</u>	<u>2002</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 4,260	\$ 4,813
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	30	52
Amortization		
Deferred fee income/loan discounts	(946)	(451)
DBFC and original issue discounts	1,864	1,318
Service release premium	288	(205)
Accretion of interest on capital appreciation bonds	-	208
Rebate due to IRS	(1,630)	(2,383)
Fair value (increases) of investments	(1,903)	(547)
Loan principal repayments	142,058	75,721
Loan purchases	(69,855)	(98,733)
Interest received on mortgage loans	39,659	41,144
Reclassification of interest income/expense to other activities	(2,433)	409
Changes in assets and liabilities		
Due from HUD	27	(140)
Due from State Agencies	(48)	13
Other receivables	(27)	(129)
Prepaid expenses	4	-
Due to HUD	(37)	(108)
Due to State Agencies	7	(6)
Other liabilities	63	(799)
Funds held in trust	(1,272)	1,078
Deferred credits and revenues	<u>1</u>	<u>(12)</u>
Net cash provided by operating activities	<u><u>\$ 110,110</u></u>	<u><u>\$ 21,243</u></u>

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENT OF APPROPRIATIONS
BIENNIUM ENDED JUNE 30, 2003
(In Thousands)

	2001-2003 Appropriations As Adjusted	2001-2002 Expenditures	2002-2003 Expenditures	Unexpended Appropriations
ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	\$ 3,433	\$ 1,627	\$ 1,748	\$ 58
Operating expenses	2,688	1,432	1,019	237
Grants, benefits and claims	34,064	13,209	13,412	7,443
Contingency	100	-		100
Total	<u>40,285</u>	<u>16,268</u>	<u>16,179</u>	<u>7,838</u>
EQUIPMENT PURCHASES				
	<u>125</u>	<u>53</u>	<u>14</u>	<u>58</u>
Total	(1) \$ <u>40,410</u>	\$ <u>16,321</u>	(2) \$ <u>16,193</u>	\$ <u>7,896</u>

(1) The Agency's total appropriation of \$40,410 consists of funding of \$34,064 from federal funds and \$6,346 from special funds.

(2) This statement includes only those expenditures for which there are appropriations. A reconciliation to the expenses on the statement of revenues, expenses and changes in fund net assets follows (in thousands):

Total expenditures	\$ 16,193
Less: Equipment purchases	(14)
Grants, benefits and claims	(13,412)
Administrative and operating expenses relating to Rental, Homeownership Bonds, and Agency expenses	994
Depreciation	<u>30</u>
Total administrative and operating expenses and depreciation	<u>\$ 3,791</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003, AND 2002
(In Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The North Dakota Housing Finance Agency (Agency) was created in 1980 by an initiated measure. The Agency is authorized, among other things, to make mortgage and construction loans to housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; to purchase qualified mortgage loans from mortgage lenders; and to apply for and receive assistance and subsidies under programs of the federal government.

The Agency is authorized to issue bonds and notes in order to exercise its authorized powers. Bonds and notes issued by the Agency under the 1983 General Resolution are not a debt or liability of the State of North Dakota and the state is not liable for repayment of such obligations. Bonds under the 1994 General Resolution are a general obligation of the Agency.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) statements No. 14, *The Financial Reporting Entity*, the Agency should include all component units over which the Agency exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Agency.

Based on the criteria of GASB Statement No. 14, no organizations were determined to be part of the reporting entity. The North Dakota Housing Finance Agency is included as part of the primary government of the State of North Dakota's reporting entity.

Budgetary Process

The Agency operates through a biennial appropriation provided by the State Legislature. The Agency prepares a biennial budget which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The Governor has line item veto powers over all legislation subject to legislative override. Once passed and signed, the appropriation becomes the Agency's financial plan for the next two years. The Agency has a continuous appropriation of any additional income from federal or other funds which may become available to the Agency. Changes to the appropriation not falling under the continuing appropriation are subject to approval by the State Emergency Commission.

The State's budgeting system does not include revenues and thus, a Statement of Revenues and Expenses – Budget and Actual cannot be prepared as required by generally accepted accounting principles. In its place a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the accrual basis of accounting and includes only those expenses for which an appropriation has been established.

Accounting Standards

The Agency follows the pronouncements of the Governmental Accounting Standards Board, which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. In accordance with GASB Statement No. 20, the Agency follows all applicable GASB Pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The funds account for the flow of resources of carrying on specific activities in accordance with laws, regulations, or debt restrictions.

The Agency's funds are:

Agency Operating Funds

These funds account for (1) activities related to the development and administration of Agency financial programs, (2) HUD Section 8 Housing Assistance Payment programs, (3) Agency owned assets and (4) any activities of the Agency not applicable to the other funds.

Multifamily Bond Funds

These funds account for the proceeds from the sale of Multifamily Bonds, the debt service requirements of the bond indebtedness, and mortgage loans and assets acquired with bond proceeds to finance construction of multifamily residential housing.

Homeownership Bond Funds

These funds account for the proceeds from the sale of Homeownership Bonds, the debt service requirements of the bond indebtedness, and mortgage loans and assets acquired with bond proceeds to finance single family home ownership.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Net assets are segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. When both restricted and unrestricted net assets are available for use, generally it is the Agency's policy to use unrestricted net assets first, then restricted net assets as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities and non-capital financing activities.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant Group Concentrations of Credit Risk

All of the Agency's mortgage loans are with individuals located within the State of North Dakota.

Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenditures, and changes in fund net assets.

Funds held by trustees or the Agency under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the Agency. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The restricted bond accounts have their moneys invested in various debt securities such as U.S. Treasury securities, U.S. Government Agency securities, and investment contracts.

Accumulated Unpaid Vacation and Sick Pay

Annual leave and sick leave are a part of permanent employees' compensation as set forth in Section 54-06-14 of the North Dakota Century Code. Annual leave is earned based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. In general, accrued annual leave cannot exceed 30 days at each year-end, as set by the Agency. Employees are paid for unused annual leave upon termination or retirement.

Sick leave is earned based on tenure at the rate of one to a maximum of one and one-half working days per month of employment. There are no limitations on the amount of sick leave that an employee can accumulate. Employees who have ten continuous years of service are paid one-tenth of their accumulated sick leave upon leaving service under chapter 54-52 of the North Dakota Century Code. A liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as required by the Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*.

Interfund Receivables and Payables

Advances between funds during the year resulting in interfund receivables and payables have been eliminated in the financial statements.

Mortgage Loans Receivable

Mortgage loans receivable are recorded at amounts advanced less principal payments and, in the Homeownership Bond Fund, net of purchase discounts. Interest income on loans is accrued at the specific rate on the unpaid principal balance.

Deferred Bond Financing Costs

Issuance costs on bonds are amortized using the bonds outstanding method over the life of the bonds.

Equipment

Equipment and furnishings are stated at cost, net of accumulated depreciation. Equipment and furnishings with a cost of \$5,000 or more per unit are capitalized and reported in the accompanying financial statements. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from five to ten years.

Deferred Revenues

Pursuant to the McKinney Act Refunding Agreement, entered into by North Dakota Housing Finance Agency with the Department of HUD on May 1, 1994, 50 percent of the amounts recaptured from the project shall be used only for providing decent, safe and sanitary housing affordable to very low-income families or persons.

Reservation Fees

Reservation fees represent fees collected from low income loan applicants. Fees are credited to the loan upon acceptance of the applicant and are refunded if the applicant is denied. The fees are forfeited if the applicant withdraws their application.

Funds Held in Trust

These amounts consist of escrow, buy-down and partial payments made by mortgagors on loans serviced by the Agency.

Rebate Due to IRS

Under Internal Revenue Service Code Sections 103 and 148, earnings from nonpurpose investments in excess of the earnings that would have been earned had the investments been invested at the composite effective rate equal to the bond yield, with certain exceptions, must be remitted as rebate to the U.S. Treasury once every five years. Rebate is calculated monthly and the liability is adjusted accordingly.

NOTES TO FINANCIAL STATEMENTS

Operating and Non-operating Revenues

Operating revenues consist of sales of goods and services, quasi-external operating transactions with other funds, grant revenue for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions and other miscellaneous revenue. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the Agency would not otherwise undertake. Investment income in the Multifamily and Homeownership Bond Funds is recorded as operating income as these revenues are generated from the Agency's operations needed to carry out its statutory purpose.

All other revenues that do not meet the above criteria are classified as non-operating.

Reclassification of Financial Statement Presentation

Certain reclassifications have been made to the 2002 financial statements to conform with the 2003 financial statement presentation. Such reclassifications had no effect on the change in net assets as previously reported.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2003, and 2002, the deposits of the North Dakota Housing Finance Agency are categorized to indicate the level of risk assumed. Category 1 includes bank balances that are insured or collateralized with securities held by the Agency or its agent in the Agency's name. Category 2 includes bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name. Category 3 is uncollateralized (this includes bank balances collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Agency's name). The North Dakota Housing Finance Agency is required to maintain its operating funds at the Bank of North Dakota.

	Carrying Amount	Bank Balance	1	Category 2	3
2003					
Cash	\$ 26,565	\$ 26,727	2/	\$ 18,325	\$ 8,402
Bank investment contracts	62,083	62,083		3/	62,083
Total deposits	\$ 88,648	\$ 88,810	\$ 18,325		\$ 70,485
	Carrying Amount	Bank Balance	1	Category 2	3
2002					
Cash	\$ 25,691	\$ 25,811	2/	\$ 17,794	\$ 8,017
Bank investment contracts	57,630	57,630	-	- 3/	57,630
Total deposits	\$ 83,321	\$ 83,441	\$ 17,794	\$ -	\$ 65,647

- 1/ Agency operating funds are required to be deposited at the Bank of North Dakota. The carrying value and bank balance of these cash deposits were as follows:

	Carrying Value	Bank Balance
2003	\$ 8,240	\$ 8,402
2002	7,897	8,017

The balance of deposit accounts is held by the bond trustee (fiscal agent).

- 2/ Deposits of the Homeownership Fund and the Rental Fund are held by the bond trustee (fiscal agent) and are insured by the Federal Deposit Insurance Corporation for up to \$100,000 per bondholder or backed by government insured securities.
- 3/ Fixed rate investment agreements are held with Bond Trustees (fiscal agents). Carrying value approximates bank balance.

Investments

Funds held by trustees under bond resolutions are invested by the Agency as outlined in the general bond resolutions adopted in 1983 and 1994. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required.

The investments of the Agency at June 30, 2003, and 2002, have been categorized to indicate the level of credit risk assumed by the Agency. Category 1 includes investments that are insured or registered, or are held by the Agency's agent in the Agency's name. Category 2 includes uninsured and unregistered investments, held by the financial institution's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments, held by the financial institution's trust department or agent but not in the Agency's name.

	Fair Value	1	Category 2	3
2003				
Agency Operating Funds				
U.S. Government securities	\$ 24,600	\$ 24,600	\$ -	\$ -
Rental Bond Funds				
U.S. Government securities	8,551	8,551	-	-
Homeownership Bond Funds				
U.S. Government securities	266	266	-	-
Guaranteed investment contracts *	85,129	-	-	-
Total investments	\$ 118,546	\$ 33,417	\$ -	\$ -
	Fair Value	1	Category 2	3
2002				
Agency Operating Funds				
U.S. Government securities	\$ 22,724	\$ 22,724	\$ -	\$ -
Rental Bond Funds				
U.S. Government securities	8,779	8,779	-	-
Homeownership Bond Funds				
U.S. Government securities	256	256	-	-
Guaranteed investment contracts *	55,262	-	-	-
Total investments	\$ 87,021	\$ 31,759	\$ -	\$ -

*Guaranteed investment contracts are not subject to credit risk classification.

Agency Operating Fund investment securities with a carrying amount of approximately \$17,877 and \$16,771 at June 30, 2003, and 2002, were pledged as requested by rating agencies in conjunction with the 1994 General Resolution and as collateral on bank loans.

The carrying amount of the Agency's deposits and investments are reported on the balance sheets at June 30, 2003, and 2002, as follows:

	2003	2002
Unrestricted:		
Deposits		
Cash and cash equivalents	\$ 2,648	\$ 956
Investments	\$ 6,723	\$ 5,953
Restricted:		
Deposits		
Cash and cash equivalents	\$ 171,129	\$ 137,627
Less fixed rate investment agreements reported as cash equivalents	85,129	55,262
Total deposits	\$ 86,000	\$ 82,365
Investments		
Investments	\$ 26,694	\$ 25,806
Fixed rate investment agreements reported as cash equivalents	85,129	55,262
Total investments	\$ 111,823	\$ 81,068

NOTE 3 - LOANS RECEIVABLE

Loans receivable at June 30, 2003, and 2002, consist of the following:

	2003	2002
Unrestricted:		
Agency operating funds	\$ -	\$ 9,590
Less current portion	-	371
	\$ -	\$ 9,219
Restricted:		
Multifamily bond funds	\$ 1,801	\$ 1,821
Homeownership bond funds	548,613	610,260
	550,414	612,081
Less current portion	10,399	10,904
	\$ 540,015	\$ 601,177

Mortgage loans are secured by first liens on real property.

Agency and Homeownership mortgage loans are insured by a private primary mortgage insurer, the Federal Housing Administration or guaranteed by the Veterans Administration, USDA-RD, or uninsured with a loan to value of 80% or less.

Multifamily mortgage loans are insured by the Federal Housing Administration or guaranteed by the Federal National Mortgage Association (FNMA) Mortgage backed Securities Program.

Interest rates on Agency and Homeownership mortgage loans vary from 0.00% to 11.9% with maturities of such loans ranging from less than one year to 30 years.

NOTES TO FINANCIAL STATEMENTS

The Multifamily mortgage loans bear interest rates varying from 6.55% to 12% and are repayable through 2022.

Included in Homeownership and Agency mortgage loans are loans totaling \$77 which have been foreclosed on and are owned by the Agency (REO) and 57 loans totaling \$2,712 were in the foreclosure process at June 30, 2003. At June 30, 2002, Homeownership and Agency mortgage loans included \$58 of REO loans, and 57 loans totaling \$2,715 were in the foreclosure process. Since such loans are at least partially insured or guaranteed by outside parties, it is anticipated that the Agency will recover substantially all of the unpaid principal and interest on the loans through insurance payments or sale of foreclosed property.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at year-end were eliminated in the financial statements as follows:

	2003	2002
Administration and servicing fees between Rental Fund, Homeownership Fund and Agency Fund	\$ 9,126	\$ 5,716

NOTE 5 - INTERGOVERNMENTAL RECEIVABLE AND PAYABLE

The Agency operates various Department of Housing and Urban Development (HUD) Section 8 rent subsidy programs. Under these programs the Agency draws down, in advance, sufficient funds to cover estimated rent subsidies. An estimate of rents is used because occupancy of rental units is not known until rent payments become due. The use of rent estimates result in over-and-under drawdowns of HUD funds. These amounts cannot be offset and are shown at year-end as intergovernmental receivables and payables as follows:

	2003	2002
Due from HUD	\$ 356	\$ 383
Due to HUD	\$ 301	\$ 338

NOTE 6 - EQUIPMENT

A summary of changes in equipment and accumulated depreciation is as follows:

	Equipment	Accumulated Depreciation	Net Equipment
Balance, June 30, 2001	\$ 402	\$ 270	\$ 132
Additions	12	52	
Disposals	(84)	(78)	
Balance, June 30, 2002	330	244	\$ 86
Additions		30	
Disposals	(34)	(34)	
Balance, June 30, 2003	\$ 296	\$ 240	\$ 56

NOTE 7 - OTHER RECEIVABLES

A detail of other receivables is as follows:

	2003	2002
Unrestricted:		
Receivable from servicer	\$ 1	\$ 1
Receivable from developers	407	335
Accounts receivable	76	121
	\$ 484	\$ 457
Restricted:		
Receivable from servicer	\$ -	\$ 2

NOTE 8 - RELATED PARTY TRANSACTIONS

The Agency had the following transactions with related parties as of June 30, 2003, and 2002.

	2003	2002
Cash and cash equivalents - unrestricted		
Bank of North Dakota	\$ 2,545	\$ 930
Cash and cash equivalents - restricted		
Bank of North Dakota	\$ 5,695	\$ 6,967
Due from state agencies		
Department of Commerce	\$ 78	\$ 30
Due to state agencies		
Information Technology Department	\$ 5	\$ 4
Bank of North Dakota	6	-
OMB	1	3
Attorney General	2	-
Department of Transportation	1	1
	\$ 15	\$ 8

	2003	2002
Advance from Bank of North Dakota		
Bank of North Dakota	\$ -	\$ 1,973
Bonds payable to Bank of North Dakota		
Bank of North Dakota	\$ 3,740	\$ -
Transfers out		
Industrial Commission	\$ 24	\$ 24
Administrative and operating expenses		
Information Technology Department		
Telephone	\$ 27	\$ 27
Data processing	31	30
Attorney General		
Legal fees	18	17
Office of Management and Budget		
Supplies	17	25
Risk management premium	3	-
Department of Transportation		
Travel	5	8
Department of Insurance		
State fire and tornado fund premium	1	-
Bank of North Dakota		
Letter of credit fees	-	5

NOTE 9 - OTHER LIABILITIES

A detail of other liabilities is as follows:

	2003	2002
Reservation fees	\$ 87	\$ 86
Accounts payable	382	324
Trustee fees	79	92
	\$ 548	\$ 502

NOTE 10 - COMPENSATED ABSENCES

A summary of compensated absences follows:

	2003	2002
Beginning balance, July 1	\$ 136	\$ 119
Additions	108	99
Reductions	(91)	(82)
Ending balance, June 30	\$ 153	\$ 136
Amounts due within one year	\$ 91	\$ 82

NOTE 11 - BONDS PAYABLE

Change in Bonds Payable

A summary of changes in bonds payable follows:

	Balance 2002	Additions (1)	Reductions (1)	Balance 2003	Amounts Due Within One Year
Multifamily bond funds	\$ 10,541	\$ -	\$ 249	\$ 10,292	\$ 275
Homeownership bond funds	700,801	101,634	138,128	664,307	14,230
	\$ 711,342	\$ 101,634	\$ 138,377	\$ 674,599	\$ 14,505

	Balance 2001	Additions (1)	Reductions (1)	Balance 2002	Amounts Due Within One Year
Multifamily bond funds	\$ 11,340	\$ -	\$ 799	\$ 10,541	\$ 250
Homeownership bond funds	832,176	75,291	206,666	700,801	10,355
	\$ 843,516	\$ 75,291	\$ 207,465	\$ 711,342	\$ 10,605

(1) Includes accretion of bond discounts and changes in capital appreciation bonds.

Bonds Payable

The bonds of the various Agency funds have been issued to provide financing to purchase mortgage loans and to finance rental housing projects. The bonds are direct obligations of the Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolutions.

Maturities of Bonds Payable

Maturities of principal and interest on all bonds are as follows:

Years Ending June 30,	Principal	Interest	Total Debt Service
2004	\$ 14,505	\$ 34,547	\$ 49,052
2005	12,170	34,573	46,743
2006	14,215	33,970	48,185
2007	14,800	33,304	48,104
2008	15,505	32,586	48,091
2009-2013	87,775	150,365	238,140
2014-2018	107,250	124,754	232,004
2019-2023	118,335	94,997	213,332
2024-2028	164,550	55,256	219,806
2028-2033	103,160	14,516	117,676
2034-2035	22,570	649	23,219
Discounts	(236)	236	-
	\$ 674,599	\$ 609,753	\$ 1,284,352

Schedules of Bonds Payable

The following summarizes the Agency's bonds payable outstanding at June 30, 2003, and 2002. The term bonds of all bond series have mandatory sinking fund requirements starting in 1998.

NOTES TO FINANCIAL STATEMENTS

	Interest Rate	2003	2002
MULTI-FAMILY			
Series 1993 A			
Term Bonds 7/1/01 - 1/1/05 (net of discount)	5.125	\$ 10	\$ 30
Term Bonds 1/1/04 - 7/1/23 (net of discount)	5.750	1,797	1,796
Series 1995 A			
Serial Bonds 12/1/02 - 12/1/07	4.90 - 5.50	1,155	1,335
Term Bonds 12/1/15	6.125	3,590	3,590
Term Bonds 12/1/17	6.15	1,300	1,300
Term Bonds 12/1/20	6.20	2,325	2,325
Series 1995B			
Serial Bonds 12/1/02 - 6/1/05	6.55 - 6.85	115	165
Total Multi-family Bonds		10,292	10,541

	Interest Rate	2003	2002
HOMEOWNERSHIP BONDS			
Series 1990 A			
Serial Bonds 7/1/02 - 7/1/05	7.35 - 7.50	\$ -	\$ 270
Term Bonds 7/1/10	7.90	-	540
Term Bonds 1/1/24	8.05	-	2,855
Series 1990 B			
Serial Bonds 7/1/02 - 7/1/05	6.90 - 7.20	-	385
Term Bonds 7/1/10	7.625	-	700
Term Bonds 7/1/24	7.75	-	3,805
Series 1990 C			
Serial Bonds 7/1/02 - 7/1/05	6.70 - 7.00	-	530
Term Bonds 7/1/10	7.25	-	980
Term Bonds 7/1/24	7.30	-	5,690
Series 1991 A			
Serial Bonds 7/1/02 - 7/1/06	6.35 - 6.75	340	585
Term Bonds 7/1/12	6.95	670	960
Term Bonds 7/1/23	7.00	2,240	3,285
Series 1992 A			
Serial Bonds 7/1/02 - 7/1/06	6.15 - 6.50	640	1,005
Term Bonds 7/1/12	6.75	1,330	1,735
Term Bonds 7/1/23	6.80	4,070	5,365
Series 1992 B			
Serial Bonds 7/1/02 - 7/1/06	5.90 - 6.25	1,315	1,910
Term Bonds 7/1/13	6.70	2,270	2,730
Term Bonds 7/1/18	6.00	1,330	2,540
Term Bonds 7/1/25	6.80	4,825	5,000
Series 1993 A			
Serial Bonds 7/1/02 - 7/1/08	4.45 - 5.10	755	1,015
Term Bonds 7/1/24	5.55	3,905	4,565
Series 1994 A			
Serial Bonds 1/1/03 - 7/1/09	5.10 - 5.50	1,280	1,770
Term Bonds 7/1/25	5.95	2,620	3,405
Series 1994 B			
Serial Bonds 7/1/02	4.80	-	130
Term Bonds 7/1/25	5.80	3,070	3,915
Series 1994 C			
Serial Bonds 7/1/02 - 7/1/09	5.75 - 6.40	830	1,295
Term Bonds 7/1/25	6.95	4,245	6,075

	Interest Rate	2003	2002
HOMEOWNERSHIP BONDS, continued			
Series 1994 D			
Serial bonds 7/1/02 - 7/1/09	5.60 - 6.25	1,475	3,820
Term bonds 1/1/20	6.25	220	755
Term bonds 7/1/25	6.75	-	2,605
Series 1994 E			
Term bonds 1/1/15	6.30	1,645	3,755
Series 1995 B			
Serial bonds 7/1/02 - 7/1/10	5.20 - 6.00	2,110	3,140
Term bonds 7/1/15	6.25	2,045	2,755
Term bonds 7/1/26	6.32	4,955	7,365
Series 1995 D			
Serial bonds 7/1/02 - 7/1/11	5.30 - 6.15	790	1,100
Term bonds 7/1/16	6.30	700	895
Term bonds 1/1/21	5.80	80	340
Term bonds 7/1/27	6.325	830	2,045
Series 1995 F			
Serial bonds 7/1/02 - 7/1/10	4.90 - 5.85	1,875	2,630
Term bonds 7/1/15	6.00	1,805	2,290
Term bonds 1/1/26	6.15	640	805
Term bonds 7/1/26	6.15	3,960	5,070
Series 1996 A			
Serial bonds 7/1/02 - 7/1/11	5.30 - 6.15	2,415	3,305
Term bonds 7/1/16	6.30	2,135	2,665
Term bonds 7/1/20	5.80	-	175
Term bonds 7/1/27	6.325	5,350	6,720
Series 1996 B			
Serial bonds 7/1/02 - 1/1/12	5.20 - 6.05	2,180	3,470
Term bonds 1/1/17	6.25	1,830	2,685
Term bonds 1/1/28	6.40	2,355	3,485
Term bonds 1/1/28	6.45	835	3,765
Series 1996 C			
Serial bonds 7/1/02 - 7/1/12	4.80 - 5.75	4,650	6,135
Term bonds 7/1/17	5.95	3,335	4,065
Term bonds 1/1/21	5.15	-	620
Term bonds 7/1/28	6.10	8,940	11,550

HOMEOWNERSHIP BONDS, continued

	Interest Rate	2003	2002
Series 1996 D			
Serial bonds 7/1/02 - 1/1/13	4.65 - 5.60	4,065	4,675
Term bonds 1/1/18	5.80	3,060	3,260
Term bonds 7/1/21	5.10	5	1,205
Term bonds 1/1/29	5.90	7,420	8,275
Series 1997 A			
Serial bonds 7/1/02 - 7/1/12	4.90 - 5.90	1,885	2,595
Term bonds 7/1/17	6.00	1,520	1,925
Term bonds 1/1/21	5.30	-	170
Term bonds 7/1/27	6.15	1,410	1,790
Term bonds 1/1/28	6.15	2,215	2,830
Series 1997 B			
Serial bonds 7/1/02 - 7/1/12	4.70 - 5.50	1,525	1,950
Term bonds 7/1/17	5.75	1,205	1,420
Term bonds 1/1/21	5.00	140	390
Term bonds 7/1/28	5.85	2,645	3,265
Series 1997 C			
Serial bonds 7/1/02 - 7/1/13	4.40 - 5.35	5,945	7,220
Term bonds 7/1/18	5.50	4,210	4,770
Term bonds 1/1/22	4.70	695	1,970
Term bonds 7/1/29 (not reoffered)	5.55	4,465	5,500
Term bonds 7/1/29	5.55	5,080	5,780
Series 1997 D			
Serial bonds 7/1/02 - 1/1/14	4.00 - 5.00	7,730	9,345
Term bonds 1/1/19	5.15	5,145	5,815
Term bonds 7/1/22	4.50	1,345	2,805
Term bonds 1/1/30	5.25	495	960
Term bonds 1/1/30 (not reoffered)	5.25	11,510	13,070
Series 1997 F			
Serial bonds 7/1/02 - 7/1/13	4.65 - 5.60	2,430	3,145
Term bonds 7/1/18	5.80	1,765	2,125
Term bonds 1/1/23	5.20	550	1,305
Term bonds 1/1/29	5.90	3,380	4,410
Series 1997 G			
Serial bonds 7/1/02 - 7/1/13	4.60 - 5.45	5,490	6,270
Term bonds 7/1/17	4.80	185	1,135
Term bonds 7/1/20	5.05	1,380	1,930
Term bonds 1/1/29	5.75	3,980	4,240
Term bonds 7/1/29	5.75	6,745	7,735
HOMEOWNERSHIP BONDS, continued			
Series 1998A			
Serial bonds 7/1/02 - 7/1/13	4.30 - 5.15	5,840	7,425
Term bonds 7/1/18	5.25	4,065	4,820
Term bonds 1/1/23	4.60	2,350	3,340
Term bonds 1/1/28	5.35	2,200	2,605
Term bonds 7/1/28	5.35	4,985	6,375
Series 1998B			
Serial bonds 7/1/02 - 7/1/13	4.35 - 5.30	11,515	13,830
Term bonds 7/1/18	5.45	8,095	9,065
Term bonds 1/1/23	4.75	5,045	7,020
Term bonds 1/1/29 (not reoffered)	5.50	3,310	3,700
Term bonds 7/1/29	5.50	12,930	15,245
Series 1998E			
Serial bonds 7/1/02 - 7/1/13	4.00 - 5.00	3,235	3,615
Term bonds 7/1/18	5.15	1,925	1,950
Term bonds 7/1/29	4.60	3,255	5,165
Term bonds 1/1/30	5.25	6,310	6,800
Series 1998F			
Term bonds 7/1/18	5.28	5,462	6,534
Series 1999A			
Serial bonds 7/1/02 - 7/1/14	3.95 - 5.15	11,030	12,585
Term bonds 7/1/19	5.20	4,810	5,075
Term bonds 7/1/29	4.85	11,660	15,405
Term bonds 1/1/30	5.25	15,400	16,585
Series 1999B			
Term bonds 7/1/18	6.10	2,205	2,522
Series 1999D			
Serial bonds 7/1/02 - 7/1/14	4.60 - 5.80	6,675	8,235
Term bonds 7/1/19	5.95	3,465	3,985
Term bonds 7/1/29	5.40	6,285	7,875
Term bonds 1/1/30	6.00	13,810	16,305
Series 2000A			
Serial bonds 7/1/02 - 7/1/15	4.85 - 6.25	10,760	13,015
Term bonds 7/1/20	6.40	5,995	7,030
Term bonds 7/1/30	5.70	9,995	12,040
Term bonds 7/1/30 (Not reoffered)	6.50	6,730	7,895
Term bonds 1/1/31	6.50	13,925	16,700

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

	Interest Rate	2003	2002
HOMEOWNERSHIP BONDS, continued			
Series 2000C			
Serial bonds 7/1/02 - 7/1/15	4.70 - 5.80	9,965	11,165
Term bonds 7/1/20	6.00	5,325	5,785
Term bonds 1/1/31	5.55	9,280	10,765
Term bonds 7/1/31	6.15	19,255	21,075
Series 2001A			
Serial bonds 7/1/03 - 7/1/14	3.90 - 5.15	11,760	12,120
Term bonds 7/1/21	5.45	9,180	9,465
Term bonds 7/1/31	4.70	11,855	13,160
Term bonds 7/1/31 (not reoffered)	5.55	7,945	8,195
Term bonds 1/1/32	5.55	16,465	17,000
Series 2001C			
Serial bonds 7/1/03 - 7/1/13	2.70 - 4.70	5,995	6,120
Term bonds 7/1/22	5.30	6,440	6,575
Term bonds 7/1/33	4.20	7,865	8,260
Term bonds 7/1/33 (not reoffered)	5.40	2,980	3,045
Term bonds 1/1/34	5.40	10,735	11,000
Series 2002A			
Serial bonds 7/1/04 - 7/1/13	3.35 - 5.15	6,100	6,110
Term bonds 1/1/22 (not reoffered)	5.55	2,995	3,000
Term bonds 7/1/22	5.55	4,445	4,450
PAC term bonds 7/1/33	5.00	9,285	9,480
Term bonds 7/1/33 (not reoffered)	5.65	5,945	5,960
Term bonds 1/1/34	5.65	10,975	11,000
Series 2002B			
Serial bonds 7/1/04 - 7/1/13	2.00 - 4.375	7,050	-
Term bonds 7/1/22	5.15	8,685	-
PAC term bonds 7/1/33	Variable	6,290	-
Term bonds 1/1/34	Variable	17,975	-
Series 2002C			
Term bond 8/20/08	Variable	3,740	-
Series 2003A			
Serial bonds 7/1/05 - 7/1/14	1.65 - 4.00	7,310	-
Term bonds 1/1/23 (not reoffered)	4.60	6,795	-
Term bonds 7/1/23	4.60	860	-
PAC term bonds 1/1/34	Variable	8,400	-
Term bonds 7/1/34	Variable	14,135	-
Term bonds 1/1/35	Variable	12,500	-
Total Homeownership Bonds		664,307	700,801
		\$ 674,599	\$ 711,342

In the prior years, the Agency defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Agency's financial statements. At June 30, 2003 and 2002, \$7,890 and \$9,340 of bonds outstanding are considered defeased. Additionally, the differences between the reacquisition price and the net carrying amount of the old debt were \$223 and \$284 as of June 30, 2003 and 2002. This amount is being amortized over the next 15 years using the bonds outstanding method.

NOTE 12 – INTEREST RATE SWAP

Objective of the Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance², the agency entered into several interest rate swaps in connection with various variable-rate housing bond series¹. The intention of these swaps was to effectively change the agency's interest rate on the bonds to a fixed rate.⁶

Terms

The bonds and the related swap agreements have a stated maturity date³, and the swap's notional amounts⁴ match the amount of variable-rate bond⁵. Under the swaps, the authority pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) ⁷ plus a fixed percentage⁸. On the other hand, the bond's variable-rate⁹ coupons are determined by the remarketing agent. If for any reason the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA Index plus 0.25% or (ii) the Maximum Rate as defined within the applicable series resolution.

Credit Risk

As of June 30, 2003, the agency is not exposed to credit risk because the swap had a negative fair value. However, the swap exposes the agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on the bonds. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if a counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's.

Fair Value

Because interest rates have declined since execution of the swap, the swap has a negative fair value¹⁰ as of June 30, 2003. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic fixed interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

Basis Risk and Termination Risk

The swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate⁶ and the synthetic rate¹² as of June 30, 2003. The swap may be terminated at any time by the agency with 30 days written notice up to limits specified in the swap agreement.

	2002 B	2002 B	2003 A	2003 A
¹ Bond Series				
² Issuance Date	8/28/2002	8/28/2002	5/14/2003	5/14/2003
³ Maturity Date	1/1/2034	7/1/2011	7/1/2034	1/1/2012
⁴ Notional Amount	17,975,000.00	6,290,000.00	14,135,000.00	8,400,000.00
⁵ Variable-rate Bonds	17,975,000.00	6,290,000.00	14,135,000.00	8,400,000.00
⁶ Fixed Rate	4.470%	2.940%	4.035%	2.463%
⁷ LIBOR Percentage	68.70%	70.60%	62.50%	62.50%
⁸ Additional Percentage	0.00%	0.00%	0.44%	0.44%
⁹ Bonds Variable-rate	0.98000%	0.98000%	1.05000%	1.05000%
¹⁰ Fair Value	(1,729,414)	(322,520)	(348,529)	(86,089)
¹¹ Percentage of LIBOR	0.76944%	0.00000%	1.14000%	0.44000%
¹² Synthetic Rate	4.68056%	3.92000%	3.94500%	3.07300%
¹³ Actual Synthetic Rate	4.98110%	3.42360%		

Swap Payments and Associated Debt

Using rates as of June 30, 2003, debt service requirements of the variable-rate debt and new swap payments are as follows. Interest calculations were based on rates as of June 30, 2003. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal year Ending June 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2004	\$ 215,000	\$ 473,345	\$ 1,318,581	\$ 2,006,926
2005	1,095,000	464,562	1,302,919	2,862,481
2006	1,975,000	446,612	1,272,346	3,693,958
2007	2,270,000	423,686	1,234,337	3,928,022
2008	2,160,000	401,384	1,197,526	3,758,909
2009-2013	6,975,000	1,894,907	6,078,179	14,948,086
2014-2018		1,785,149	5,909,112	7,694,260
2019-2023	2,880,000	1,759,077	5,818,955	10,458,032
2024-2028	14,345,000	1,205,601	3,982,066	19,532,667
2029-2033	14,885,000	320,885	1,059,524	16,265,410
	\$ 46,800,000	\$ 9,175,208	\$ 29,173,544	\$ 85,148,752

NOTE 13 – LOAN FROM BANK OF NORTH DAKOTA

Changes in Loan from Bank of North Dakota

The following is a summary of changes in loan from the Bank of North Dakota for the years ended June 30, 2003 and 2002:

Balance, June 30, 2001	\$ -
Advance from Bank of North Dakota	1,973
Balance, June 30, 2002	1,973
Principal payments on advance from Bank of North Dakota	(1,973)
Balance, June 30, 2003	\$ -

Lines of Credit

As of June 30, 2003, the Agency had two unsecured lines of credit with the Bank of North Dakota. One of the lines of credit has \$20,000,000 available and expires on October 4, 2003. The other line of credit has \$10,000,000 available and expires on August 9, 2003. Both of the lines of credit bear interest at 70 basis points over the 90 day LIBOR index. As of June 30, 2003, there were no borrowings under either of the lines of credit.

NOTE 14 - PENSION PLAN

The North Dakota Housing Finance Agency participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. The following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the North Dakota Housing Finance Agency. The plan provides retirement, disability, and death benefits. If an active employee dies with less than three years of credit service, a death benefit equal to the value of the employees' accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 4% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The North Dakota Housing Finance Agency has implemented a salary reduction agreement and is currently contributing the employees' share. The North Dakota Housing Finance Agency is required to contribute 4.12% of each participant's salary as the employer's share. In addition to the 4.12% employer contribution, the employer is required to contribute 1% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. The North Dakota Housing Finance Agency's required and actual contributions to NDPERS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$120, \$111, and \$97.

NOTES TO FINANCIAL STATEMENTS

NDPERS issues a publicly available report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502-1657.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Amounts received from federal grantor agencies are subject to audit and adjustment by the federal grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor will be recognized in the year determined.

In the normal course of business, the Agency makes various commitments that are not reflected in the accompanying financial statements. These commitments include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolutions.

The Agency's exposure to credit loss is represented by the contractual amount of these commitments. The Agency follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

	2003	2002
Commitments to extend credit	<u>\$ 22,569</u>	<u>\$ 18,010</u>
Loan Acquisition Fund	<u>\$ 10,274</u>	<u>\$ 5,025</u>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Agency, is based on management's credit evaluation of the customer.

The Bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reductions.

NOTE 16 - REBATE DUE TO IRS

A detail of the cumulative rebate at June 30 is as follows:

	2003	2002
Series 91 A	\$ -	\$ 3
Series 94 DE	10	24
Series 95 BCDE	-	61
Series 96 BCDE	197	81
Series 97 BCDE	121	1,480
Series 97 F	4	20
Series 97 G	16	179
Series 98 A	8	71
Series 98 BCD	1,030	1,010
Series 98 E	50	161
Series 99 AC	361	373
Series 99DE	366	363
Series 00AB	675	673
Series 00CD	1,134	1,122
Series 01A	72	53
	<u>\$ 4,044</u>	<u>\$ 5,674</u>

A summary of the rebate due to IRS follows:

	2003	2002
Beginning balance, July 1	\$ 5,674	\$ 8,057
Additions	171	555
Reductions	(1,801)	(2,938)
Ending balance, June 30	<u>\$ 4,044</u>	<u>\$ 5,674</u>
Amounts due within one year	<u>\$ 1,306</u>	<u>\$ 2,531</u>

NOTE 17 - FUND NET ASSETS

Based on certain bond covenants, all assets and fund net assets of the Homeownership and Multifamily Bond funds are reserved for debt service.

The Agency operating fund has investment securities pledged under the 1994 General Bond Resolution. As a result, the Agency operating fund has restricted net assets for this amount. All Agency net assets are a reserved general obligation of the bond series. The general obligation (issuer) rating by Moody's Investor Service (a national financial rating service) is influenced by the relationship of Agency net assets to several other financial statement factors and major investors monitor the amount of net assets as additional collateral for the publicly traded bond investments.

NOTE 18 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250 per person and \$1,000 per occurrence.

The Agency also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Agency pays an annual premium to the Fire and Tornado Fund to cover property

damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period. The State Bonding Fund currently provides the Agency with blanket fidelity bond coverage in the amount of \$750 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Agency, as a contributor to RMF, participates in the North Dakota Workforce Safety & Insurance (NDWSI), an Enterprise Fund of the State of North Dakota. The NDWSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 19 - OPERATING LEASES

The Agency leases office space and office equipment classified as operating leases expiring during the next two years. Following is a schedule by years of future minimum rental payments required under the operating leases:

Year ending June 30	
2004	\$ 109
2005	100
	<u>\$ 209</u>

Total rental expense on operating leases was \$105 and \$107 for the years ended June 30, 2003, and 2002.

NOTE 20 - SEGMENT INFORMATION

The Agency maintains three Enterprise Funds which provide loans to finance construction of rental residential housing and single family homeownership. Segment information for the year ended June 30, 2003, was as follows:

	Agency Operating Funds	Multi- family Bond Funds	Home- ownership Bond Funds	Elimina- tions	Total Enterprise Funds
Balance Sheet					
Current assets - other	\$ 20,436	\$ 509	\$ 183,227	\$ (9,126)	\$ 195,046
Noncurrent assets - other	19,924	10,383	545,636	8	575,951
Total assets	40,360	10,892	728,863	(9,118)	770,997
Current liabilities - other	11,765	485	36,223	(9,118)	39,355
Noncurrent liabilities - other	62	10,017	652,815	-	662,894
Total liabilities	11,827	10,502	689,038	(9,118)	702,249
Net assets - invested in capital assets, net of related debt	56	-	-	-	56
Net assets - unrestricted	10,600	-	-	-	10,600
Net assets - restricted	17,877	390	39,825	-	58,092
Total net assets	28,533	390	39,825	-	68,748
	Agency Operating Funds	Multi- family Bond Funds	Home- ownership Bond Funds	Elimina- tions	Total Enterprise Funds
Statement of Revenues, Expenses and Change in Fund Net Assets					
Operating revenues					
Mortgage interest income	123	217	39,319	-	39,659
Investment income	-	562	5,048	-	5,610
Fee income	4,105	-	-	(2,537)	1,568
Depreciation expense	30	-	-	-	30
Other operating expenses	4,047	767	40,270	(2,537)	42,547
Operating income	151	12	4,097	-	4,260
Nonoperating revenues (expenses)					
HUD grants	13,166	-	-	-	13,166
Investment income	3,694	-	-	-	3,694
HUD grants	(13,166)	-	-	-	(13,166)
Transfers	24	-	-	-	24
Change in net assets	3,821	12	4,097	-	7,930
Total net assets, beginning of year	33,377	378	27,063	-	60,818
Total net assets, end of year	28,533	390	39,825	-	68,748
Statement of Cash Flows					
Net cash from operating activities	7,413	673	102,026	(2)	110,110
Net cash used for noncapital financing activities	(10,703)	(877)	(67,277)	2	(78,855)
Net cash from investing activities	3,710	228	1	-	3,939
Net change in cash and cash equivalents	420	24	34,750	-	35,194
Cash and cash equivalents, beginning of year	7,923	379	130,281	-	138,583
Cash and cash equivalents, end of year	8,343	403	165,031	-	173,777

NOTE 21 - SUBSEQUENT EVENT

Subsequent to June 30, 2003, the Agency has begun the process for the issuance of 2003 Series B Housing Finance Program Bonds. The 2003 Series B bond issuance will be in the amount of \$50,000.

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING BALANCE SHEETS
JUNE 30, 2003, AND 2002
(In Thousands)

	Agency Operating Funds	MultiFamily Bond Funds	Homeownership Bond Funds	Total	Elimination	Totals	
						2003	2002
ASSETS							
CURRENT ASSETS - UNRESTRICTED							
Cash and cash equivalents	\$ 2,648	\$ -	\$ -	\$ 2,648	\$ -	\$ 2,648	\$ 956
Investments	6,723			6,723		6,723	5,953
Due from State Agencies	78			78		78	30
Receivables							
Current portion of loans receivable							371
Interest							
Loans	-			-		-	80
Investments	239			239		239	239
Due from HUD	356			356		356	383
Other	4,685			4,685	(4,201)	484	457
Prepaid expenses	12			12		12	16
Total unrestricted current assets	<u>14,741</u>			<u>14,741</u>	<u>(4,201)</u>	<u>10,540</u>	<u>8,485</u>
CURRENT ASSETS - RESTRICTED							
Cash and cash equivalents	5,695	403	165,031	171,129		171,129	137,627
Receivables							
Current portion of loans receivable		43	10,356	10,399		10,399	10,904
Interest							
Loans		18	2,884	2,902		2,902	3,304
Investments		45	31	76		76	146
Other			4,925	4,925	(4,925)	-	2
Total restricted current assets	<u>5,695</u>	<u>509</u>	<u>183,227</u>	<u>189,431</u>	<u>(4,925)</u>	<u>184,506</u>	<u>151,983</u>
Total current assets	<u>20,436</u>	<u>509</u>	<u>183,227</u>	<u>204,172</u>	<u>(9,126)</u>	<u>195,046</u>	<u>160,468</u>
NONCURRENT ASSETS - UNRESTRICTED							
Loans receivable, net of current portion							9,219
Service release premium, net	1,991			1,991		1,991	2,279
Equipment, net	56			56		56	86
Total unrestricted noncurrent assets	<u>2,047</u>			<u>2,047</u>		<u>2,047</u>	<u>11,584</u>
NONCURRENT ASSETS - RESTRICTED							
Loans receivable, net of current portion		1,758	538,257	540,015		540,015	601,177
Investments	17,877	8,551	266	26,694		26,694	25,806
Deferred bond financing costs, net		74	7,113	7,187	8	7,195	8,281
Total restricted noncurrent assets	<u>17,877</u>	<u>10,383</u>	<u>545,636</u>	<u>573,896</u>	<u>8</u>	<u>573,904</u>	<u>635,264</u>
Total noncurrent assets	<u>19,924</u>	<u>10,383</u>	<u>545,636</u>	<u>575,943</u>	<u>8</u>	<u>575,951</u>	<u>646,848</u>
Total assets	<u>\$ 40,360</u>	<u>\$ 10,892</u>	<u>\$ 728,863</u>	<u>\$ 780,115</u>	<u>\$ (9,118)</u>	<u>\$ 770,997</u>	<u>\$ 807,316</u>

COMBINING BALANCE SHEETS – page 2

	Agency Operating Funds	Multifamily Bond Funds	Homeownership Bond Funds	Total	Elimination	Totals	
						2003	2002
LIABILITIES							
CURRENT LIABILITIES							
Due to HUD	\$ 301	\$	\$	\$ 301	\$	\$ 301	\$ 338
Due to State Agencies	9		6	15		15	8
Current portion of rebate due to IRS			1,306	1,306		1,306	2,531
Other	5,669	31	3,958	9,658	(9,110)	548	502
Current portion of compensated absences	91			91		91	82
Current portion of bonds payable	-	275	14,230	14,505		14,505	10,605
Loan from Bank of North Dakota	-		-	-		-	1,973
Accrued interest		95	16,723	16,818		16,818	19,481
Funds held in trust	5,695			5,695		5,695	6,967
Deferred credits		84		84	(8)	76	77
Total current liabilities	<u>11,765</u>	<u>485</u>	<u>36,223</u>	<u>48,473</u>	<u>(9,118)</u>	<u>39,355</u>	<u>42,564</u>
NONCURRENT LIABILITIES							
Compensated absences, net of current portion	62			62		62	54
Rebate due to IRS, net of current portion			2,738	2,738		2,738	3,143
Bonds payable, net of current portion		10,017	650,077	660,094	-	660,094	700,737
Total noncurrent liabilities	<u>62</u>	<u>10,017</u>	<u>652,815</u>	<u>662,894</u>	<u>-</u>	<u>662,894</u>	<u>703,934</u>
Total liabilities	<u>11,827</u>	<u>10,502</u>	<u>689,038</u>	<u>711,367</u>	<u>(9,118)</u>	<u>702,249</u>	<u>746,498</u>
NET ASSETS							
Invested in capital assets	56			56		56	86
Restricted for pledged assets	17,877			17,877		17,877	16,771
Restricted for debt service		390	39,825	40,215		40,215	27,441
Unrestricted	10,600			10,600		10,600	16,520
Total net assets	<u>28,533</u>	<u>390</u>	<u>39,825</u>	<u>68,748</u>	<u>-</u>	<u>68,748</u>	<u>60,818</u>
Total liabilities and net assets	<u>\$ 40,360</u>	<u>\$ 10,892</u>	<u>\$ 728,863</u>	<u>\$ 780,115</u>	<u>\$ (9,118)</u>	<u>\$ 770,997</u>	<u>\$ 807,316</u>

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2003, AND 2002
(In Thousands)

	Agency Operating Funds	Multi- family Bond Funds	Home- ownership Bond Funds	Total	Elimina- tions	Totals	
						2003	2002
OPERATING REVENUES							
Mortgage interest income	\$ 123	\$ 217	\$ 39,319	\$ 39,659	\$	\$ 39,659	\$ 41,144
Investment income		562	5,048	5,610		5,610	8,622
Fee income	4,105			4,105	(2,537)	1,568	1,584
Total revenues	4,228	779	44,367	49,374	(2,537)	46,837	51,350
OPERATING EXPENSES							
Interest expense	41	627	36,006	36,674		36,674	41,392
Agency grants	247			247		247	246
Amortization of deferred bond financing costs		6	1,859	1,865		1,865	1,312
Administrative and operating expenses	2,011	134	2,405	4,550	(2,537)	2,013	1,908
Salaries and benefits	1,748			1,748		1,748	1,627
Depreciation	30			30		30	52
Total expenses	4,077	767	40,270	45,114	(2,537)	42,577	46,537
OPERATING INCOME	151	12	4,097	4,260		4,260	4,813
NONOPERATING REVENUE (EXPENSES)							
HUD grants	13,166			13,166		13,166	12,963
Investment income	3,694			3,694		3,694	2,421
HUD grants	(13,166)			(13,166)		(13,166)	(12,963)
Loss on disposal of fixed assets	-			-		-	(2)
	3,694	-	-	3,694	-	3,694	2,419
CHANGE IN ASSETS BEFORE TRANSFERS	3,845	12	4,097	7,954		7,954	7,232

(continued on next page)

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – page 2

	Agency Operating Funds	Multi- family Bond Funds	Home- ownership Bond Funds	Total	Elimina- tions	Totals	
						2003	2002
TRANSFERS OUT							
Transfer to Industrial Commission	24			24		24	24
CHANGE IN NET ASSETS	3,821	12	4,097	7,930		7,930	7,208
TOTAL NET ASSETS, BEGINNING OF YEAR	33,377	378	27,063	60,818		60,818	53,610
EQUITY TRANSFER IN (OUT)	(8,665)		8,665				
TOTAL NET ASSETS, END OF YEAR	<u>\$ 28,533</u>	<u>\$ 390</u>	<u>\$ 39,825</u>	<u>\$ 68,748</u>	<u>\$</u>	<u>\$ 68,748</u>	<u>\$ 60,818</u>

(continued on next page)

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	Agency Operating Funds	Multifamily Bond Funds	Home- ownership Bond Funds	Total	Elimination	Totals	
						2003	2002
OPERATING ACTIVITIES							
Receipts from customers	\$ 26,249	\$ 806	\$ 195,024	\$ 222,079	\$ (32,410)	\$ 189,669	\$ 129,396
Payment of grants	(257)	-	-	(257)	-	(257)	(494)
Payments to service providers							
State agencies	(149)	-	6	(143)	-	(143)	(115)
Other	(16,686)	(133)	(91,374)	(108,193)	32,408	(75,785)	(103,539)
Payments to employees	(1,744)	-	-	(1,744)	-	(1,744)	(1,622)
Payment of rebate to IRS	-	-	(1,630)	(1,630)	-	(1,630)	(2,383)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,413	673	102,026	110,112	(2)	110,110	21,243
NONCAPITAL FINANCING ACTIVITIES							
Principal payments on notes and bonds	(1,973)	(249)	(138,189)	(140,411)	-	(140,411)	(207,465)
Proceeds from note borrowings and bond issuance	-	-	101,695	101,695	-	101,695	77,056
Interest paid on notes and bonds	(41)	(628)	(38,668)	(39,337)	-	(39,337)	(46,450)
Payment of bond issue costs	-	-	(780)	(780)	2	(778)	(921)
Transfer to Industrial Commission	(24)	-	-	(24)	-	(24)	(24)
Interfund transfer in (out)	(8,665)	-	8,665	-	-	-	-
Net cash used for noncapital financing activities	(10,703)	(877)	(67,277)	(78,857)	2	(78,855)	(177,804)
CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from sale of equipment	-	-	-	-	-	-	4
Purchase of equipment	-	-	-	-	-	-	(12)
Net cash used for capital and related financing activities	-	-	-	-	-	-	(8)

(continued on next page)

COMBINING STATEMENTS OF CASH FLOWS – page 2

	Agency Operating Funds	Multifamily Bond Funds	Home- ownership Bond Funds	Total	Elimination	Totals	
						2003	2002
INVESTING ACTIVITIES							
Proceeds from sale of investments	16	228	1	245		245	6,976
Interest received from investments	3,694	-	-	3,694		3,694	2,423
Net cash from investing activities	3,710	228	1	3,939		3,939	9,399
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	420	24	34,750	35,194		35,194	(147,170)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,923	379	130,281	138,583		138,583	285,753
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 8,343	\$ 403	\$ 165,031	\$ 173,777	\$ -	\$ 173,777	\$ 138,583

(continued on next page)

COMBINING STATEMENTS OF CASH FLOWS – page 3

	Agency Operating Funds	Multifamily Bond Funds	Home- ownership Bond Funds	Total	Elimination	Totals	
						2003	2002
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating income	\$ 151	\$ 12	\$ 4,097	\$ 4,260	\$	\$ 4,260	\$ 4,813
Adjustments to reconcile operating income to net cash from operating activities							
Depreciation	30			30		30	52
Amortization							
Deferred fee income/loan discounts			(946)	(946)		(946)	(451)
DBFC and original issue discounts		5	1,859	1,864		1,864	1,318
Service release premiums	288		-	288		288	(205)
Accretion of interest on capital appreciation bonds			-	-		-	208
Rebate due to IRS			(1,630)	(1,630)		(1,630)	(2,383)
Increase in fair value of investments	(1,892)		(11)	(1,903)		(1,903)	(547)
Loan principal repayments	24,384	20	153,465	177,869	(35,811)	142,058	75,721
Loan purchases	(14,794)		(90,872)	(105,666)	35,811	(69,855)	(98,733)
Interest received on mortgage loans	123	217	39,319	39,659		39,659	41,144
Reclassification of investment income/expense to other activities	(2)	412	(2,843)	(2,433)		(2,433)	409
Changes in assets and liabilities							
Due from HUD	27			27		27	(140)
Due from State Agencies	(48)			(48)		(48)	13
Other receivables	(1,171)		(2,264)	(3,435)	3,408	(27)	(129)
Prepaid expenses	4			4		4	-
Due to HUD	(37)			(37)		(37)	(108)
Due to State Agencies	1		6	7		7	(6)
Other liabilities	1,621	-	1,846	3,467	(3,404)	63	(799)
Funds held in trust	(1,272)			(1,272)		(1,272)	1,078
Deferred credits and revenues		7	-	7	(6)	1	(12)
Net cash from operating activities	<u>\$ 7,413</u>	<u>\$ 673</u>	<u>\$ 102,026</u>	<u>\$ 110,112</u>	<u>\$ (2)</u>	<u>\$ 110,110</u>	<u>\$ 21,243</u>

(continued on next page)

NORTH DAKOTA HOUSING FINANCE AGENCY
SEGMENT INFORMATION
JUNE 30, 2003, AND 2002
(In Thousands)

FINANCIAL DATA	2003	2002
Total Assets		
Agency Fund	\$ 40,360	\$ 46,864
The 400 Project Note and Bond Fund	2,145	2,163
1995 A/B Multifamily Fund	8,747	8,960
1990 A Homeownership Fund	-	4,085
1990 B Homeownership Fund	-	5,521
1990 C Homeownership Fund	-	7,779
1991 A Homeownership Fund	3,691	5,301
1992 A Homeownership Fund	6,340	8,466
1992 B/C Homeownership Fund	11,139	13,421
1993 A Homeownership Fund	5,030	5,945
1994 A/B Homeownership Fund	7,694	9,944
1994 C Homeownership Fund	5,640	7,965
1994 D/E Homeownership Fund	12,285	18,070
1995 A Homeownership Fund	6,095	8,489
1995 B Homeownership Fund	9,601	13,875
1995 D Homeownership Fund	2,825	4,213
1995 F Homeownership Fund	9,081	11,606
1996 A Homeownership Fund	10,832	13,803
1996 B Homeownership Fund	9,704	14,373
1996 C Homeownership Fund	18,370	23,832
1996 D Homeownership Fund	14,432	17,500
1997 A Homeownership Fund	7,645	9,957
1997 B Homeownership Fund	5,796	7,338
1997 C Homeownership Fund	21,460	26,652
1997 D Homeownership Fund	27,073	33,841
1997 F Homeownership Fund	8,787	11,672
1997 G Homeownership Fund	19,014	22,575
1998 A Homeownership Fund	20,713	25,935
1998 B Homeownership Fund	44,168	52,151
1998 E Homeownership Fund	16,079	18,910
1998 F Homeownership Fund	7,337	8,348
1999 A Homeownership Fund	45,095	51,887
1999 B Homeownership Fund	2,861	3,155
1999 D Homeownership Fund	32,246	38,416
2000 A Homeownership Fund	50,541	59,883
2000 C Homeownership Fund	46,743	51,636
2001 A Homeownership Fund	59,196	61,854
2001 C Homeownership Fund	35,045	36,209
2002 A Homeownership Fund	40,871	40,428
2002 B Homeownership Fund	40,838	-
2002 C Homeownership Fund	14,491	-
2003 A Homeownership Fund	50,105	-
	\$ 780,115	\$ 813,022

Note: Interfund receivables and payables have not been eliminated in the segment information.

	2003	2002
Bonds Payable, Net of Discount		
The 400 Project Note and Bond Fund	\$ 1,807	\$ 1,826
1995 A/B Multifamily Fund	8,485	8,715
1990 A Homeownership Fund	-	3,665
1990 B Homeownership Fund	-	4,890
1990 C Homeownership Fund	-	7,200
1991 A Homeownership Fund	3,250	4,830
1992 A Homeownership Fund	6,040	8,105
1992 B/C Homeownership Fund	9,740	12,180
1993 A Homeownership Fund	4,660	5,580
1994 A/B Homeownership Fund	6,970	9,220
1994 C Homeownership Fund	5,075	7,370
1994 D/E Homeownership Fund	3,340	10,935
1995 B Homeownership Fund	9,110	13,260
1995 D Homeownership Fund	2,400	4,380
1995 F Homeownership Fund	8,280	10,795
1996 A Homeownership Fund	9,900	12,865
1996 B Homeownership Fund	7,200	13,405
1996 C Homeownership Fund	16,925	22,370
1996 D Homeownership Fund	14,550	17,415
1997 A Homeownership Fund	7,030	9,310
1997 B Homeownership Fund	5,515	7,025
1997 C Homeownership Fund	20,395	25,240
1997 D Homeownership Fund	26,225	31,995
1997 F Homeownership Fund	8,125	10,985
1997 G Homeownership Fund	17,780	21,310
1998 A Homeownership Fund	19,440	24,565
1998 B Homeownership Fund	40,895	48,860
1998 E Homeownership Fund	14,725	17,530
1998 F Homeownership Fund	5,461	6,534
1999 A Homeownership Fund	42,900	49,650
1999 B Homeownership Fund	2,206	2,522
1999 D Homeownership Fund	30,235	36,400
2000 A Homeownership Fund	47,405	56,680
2000 C Homeownership Fund	43,825	48,790
2001 A Homeownership Fund	57,205	59,940
2001 C Homeownership Fund	34,015	35,000
2002 A Homeownership Fund	39,745	40,000
2002 B Homeownership Fund	40,000	-
2002 C Homeownership Fund	3,740	-
2003 A Homeownership Fund	50,000	-
	\$ 674,599	\$ 711,342

Note: Interfund receivables and payables have not been eliminated in the segment information.

	2003	2002
Retained Earnings (Deficits)		
Reserved for Debt Service		
The 400 Project Note and Bond Fund	\$ 172	\$ 177
1995 A/B Multifamily Fund	218	201
1990 A Homeownership Fund	-	273
1990 B Homeownership Fund	-	442
1990 C Homeownership Fund	-	316
1991 A Homeownership Fund	314	299
1992 A Homeownership Fund	90	86
1992 B/C Homeownership Fund	817	764
1993 A Homeownership Fund	238	213
1994 A/B Homeownership Fund	515	458
1994 C Homeownership Fund	373	343
1994 D/E Homeownership Fund	7,128	5,442
1995 A Homeownership Fund	5,475	7,869
1995 B Homeownership Fund	201	145
1995 D Homeownership Fund	120	(303)
1995 F Homeownership Fund	548	488
1996 A Homeownership Fund	617	537
1996 B Homeownership Fund	1,686	470
1996 C Homeownership Fund	929	805
1996 D Homeownership Fund	(584)	(408)
1997 A Homeownership Fund	402	370
1997 B Homeownership Fund	(121)	(8)
1997 C Homeownership Fund	503	352
1997 D Homeownership Fund	168	75
1997 F Homeownership Fund	422	358
1997 G Homeownership Fund	711	503
1998 A Homeownership Fund	763	673
1998 B Homeownership Fund	1,128	1,000
1998 E Homeownership Fund	922	788
1998 F Homeownership Fund	1,722	1,634
1999 A Homeownership Fund	735	625
1999 B Homeownership Fund	586	555
1999 D Homeownership Fund	753	609
2000 A Homeownership Fund	960	783
2000 C Homeownership Fund	465	300
2001 A Homeownership Fund	382	308
2001 C Homeownership Fund	164	3
2002 A Homeownership Fund	26	(104)
2002 B Homeownership Fund	(71)	-
2002 C Homeownership Fund	10,744	-
2003 A Homeownership Fund	(6)	-
Restricted - Other		
Agency Fund	17,933	16,771
Unrestricted		
Agency Fund	10,600	16,606
	\$ 68,748	\$ 60,818

Note: Interfund receivables and payables have not been eliminated in the segment information.

OPERATING DATA	2003	2002
Revenues		
Agency Fund	\$ 4,228	\$ 17,119
The 400 Project Note and Bond Fund	219	220
1990 A-F Multifamily Fund	560	10
1989 A/B Homeownership Fund	-	343
1990 A Homeownership Fund	64	285
1990 B Homeownership Fund	83	400
1990 C Homeownership Fund	118	512
1991 A Homeownership Fund	325	340
1992 A Homeownership Fund	524	542
1992 B/C Homeownership Fund	817	791
1993 A Homeownership Fund	324	335
1994 A/B Homeownership Fund	574	631
1994 C Homeownership Fund	501	587
1994 D/E Homeownership Fund	1,063	1,157
1995 A Homeownership Fund	533	720
1995 B Homeownership Fund	858	873
1995 D Homeownership Fund	186	219
1995 F Homeownership Fund	696	713
1996 A Homeownership Fund	855	894
1996 B Homeownership Fund	697	925
1996 C Homeownership Fund	1,408	1,482
1996 D Homeownership Fund	806	889
1997 A Homeownership Fund	561	620
1997 B Homeownership Fund	283	407
1997 C Homeownership Fund	1,476	1,503
1997 D Homeownership Fund	1,717	1,750
1997 F Homeownership Fund	668	700
1997 G Homeownership Fund	1,369	1,312
1998 A Homeownership Fund	1,323	1,442
1998 B Homeownership Fund	2,741	2,853
1998 E Homeownership Fund	1,025	942
1998 F Homeownership Fund	480	577
1999 A Homeownership Fund	2,660	2,676
1999 B Homeownership Fund	193	204
1999 D Homeownership Fund	2,209	2,221
2000 A Homeownership Fund	3,686	3,648
2000 C Homeownership Fund	3,096	3,004
2001 A Homeownership Fund	3,364	2,680
2001 C Homeownership Fund	1,983	890
2002 A Homeownership Fund	2,408	121
2002 B Homeownership Fund	1,329	-
2002 C Homeownership Fund	1,345	-
2003 A Homeownership Fund	19	-
	\$ 49,374	\$ 57,537

Note: Interfund receivables and payables have not been eliminated in the segment information.

SEGMENT INFORMATION – page 2

	2003	2002
<u>Interest Expense</u>		
The 400 Project Note and Bond Fund	\$ 105	\$ 107
1990 A-F Multifamily Fund	-	11
1995 A/B Multifamily Fund	522	533
1989 A/B Homeownership Fund	-	393
1990 A Homeownership Fund	38	329
1990 B Homeownership Fund	46	445
1990 C Homeownership Fund	66	569
1991 A Homeownership Fund	275	363
1992 A Homeownership Fund	473	594
1992 B/C Homeownership Fund	696	844
1993 A Homeownership Fund	268	319
1994 A/B Homeownership Fund	461	575
1994 C Homeownership Fund	422	565
1994 D/E Homeownership Fund	398	957
1995 B Homeownership Fund	693	872
1995 D Homeownership Fund	224	295
1995 F Homeownership Fund	571	678
1996 A Homeownership Fund	704	861
1996 B Homeownership Fund	633	893
1996 C Homeownership Fund	1,146	1,381
1996 D Homeownership Fund	885	1,011
1997 A Homeownership Fund	472	581
1997 B Homeownership Fund	343	409
1997 C Homeownership Fund	1,187	1,383
1997 D Homeownership Fund	1,445	1,646
1997 F Homeownership Fund	537	637
1997 G Homeownership Fund	1,047	1,219
1998 A Homeownership Fund	1,091	1,290
1998 B Homeownership Fund	2,313	2,659
1998 E Homeownership Fund	786	881
1998 F Homeownership Fund	372	445
1999 A Homeownership Fund	2,284	2,520
1999 B Homeownership Fund	152	175
1999 D Homeownership Fund	1,864	2,140
2000 A Homeownership Fund	3,200	3,562
2000 C Homeownership Fund	2,678	2,865
2000 D Homeownership Fund	-	415
2001 A Homeownership Fund	3,003	3,084
2001 B Homeownership Fund	-	1,340
2001 C Homeownership Fund	1,666	1,103
2002 A Homeownership Fund	2,124	348
2002 B Homeownership Fund	1,269	-
2002 C Homeownership Fund	153	-
2003 A Homeownership Fund	21	-
Agency Fund	41	95
	<u>\$ 36,674</u>	<u>\$ 41,392</u>

Note: Interfund receivables and payables have not been eliminated in the segment information.

	2003	2002
<u>Net Income (Loss)</u>		
Agency Fund	\$ 3,821	\$ 2,668
The 400 Project Note and Bond Fund	(5)	(4)
1995 A/B Multifamily Fund	17	18
1989 A/B Homeownership Fund	-	23
1990 A Homeownership Fund	(16)	24
1990 B Homeownership Fund	(24)	46
1990 C Homeownership Fund	(40)	38
1991 A Homeownership Fund	15	(13)
1992 A Homeownership Fund	4	24
1992 B/C Homeownership Fund	53	46
1993 A Homeownership Fund	25	28
1994 A/B Homeownership Fund	57	68
1994 C Homeownership Fund	30	44
1994 D/E Homeownership Fund	545	247
1995 A Homeownership Fund	516	715
1995 B Homeownership Fund	56	10
1995 D Homeownership Fund	(73)	(63)
1995 F Homeownership Fund	60	66
1996 A Homeownership Fund	80	91
1996 B Homeownership Fund	(58)	61
1996 C Homeownership Fund	124	220
1996 D Homeownership Fund	(176)	(169)
1997 A Homeownership Fund	32	71
1997 B Homeownership Fund	(113)	(3)
1997 C Homeownership Fund	151	150
1997 D Homeownership Fund	93	122
1997 F Homeownership Fund	64	85
1997 G Homeownership Fund	208	140
1998 A Homeownership Fund	90	182
1998 B Homeownership Fund	128	244
1998 E Homeownership Fund	134	230
1998 F Homeownership Fund	88	153
1999 A Homeownership Fund	110	181
1999 B Homeownership Fund	31	59
1999 D Homeownership Fund	144	128
2000 A Homeownership Fund	179	235
2000 C Homeownership Fund	166	172
2000 D Homeownership Fund	-	122
2001 A Homeownership Fund	74	148
2001 B Homeownership Fund	-	702
2001 C Homeownership Fund	161	3
2002 A Homeownership Fund	130	(104)
2002 B Homeownership Fund	(71)	-
2002 C Homeownership Fund	1,126	-
2003 A Homeownership Fund	(6)	-
	<u>\$ 7,930</u>	<u>\$ 7,208</u>

Interfund receivables and payables have not been eliminated in the segment information.